



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA  
Chief Executive Officer

May 1, 2014

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From:   
William T Fujioka  
Chief Executive Officer

## **MOTION TO SUPPORT AB 2415 (TING), WHICH WOULD ESTABLISH A STATEWIDE TAX AGENT REGISTRATION SYSTEM (AGENDA ITEM NO. 7, MEETING OF MAY 6, 2014)**

Item No. 7 on the May 6, 2014 Agenda is a motion by Supervisor Knabe to instruct the Chief Executive Officer and the Sacramento advocates to support AB 2415 (Ting) to create a comprehensive, statewide tax agent registration system.

### **Background**

Under current State law, as it relates to annual property valuation and taxation, a taxpayer is authorized to file an application for a reduction in an assessment with a county's assessment appeals board. In this process, taxpayers can represent themselves, but may also employ property tax agents to represent them before county officials.

Pursuant to a Board-approved ordinance, effective July 1, 2013, the County implemented its Tax Agent Registration Program which includes an annual registration process for all property tax agents practicing in Los Angeles County. The County's ordinance:

- requires tax agents to register with the Executive Office of the Board, paying an annual fee of \$250;
- prohibits tax agents from registering and providing services in the County if they have been convicted of any criminal offense under State or Federal tax law, or any other criminal offense involving perjury, fraud, breach of trust, or moral

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turpitude, or have been disbarred from practice as an attorney, certified public accountant, or actuary;

- requires tax agents, on a semi-annual basis, to report all campaign contributions to any elected official or candidate for elected office in any jurisdiction in the County (other than the Assessor, as campaign contributions by tax agents to the Assessor or any candidate for Assessor are prohibited by County code);
- requires the Executive Office of the Board to post an online listing of all tax agents who are not in compliance with the ordinance; and
- gives the Executive Officer of the Board the discretion to pursue administrative fines or non-compliance fees for the failure to comply with the County ordinance provisions.

To date, the County's Tax Agent Registration Division has registered 1,197 tax agents from 577 firms. In addition, the division collects campaign contributions reports, reviews referrals of non-registered tax agents, sends notification to the agents of the requirement to register and assists in the registration process.

### **AB 2415 (Ting)**

As amended on April 3, 2014, AB 2415 (Ting), would, beginning September 1, 2015, require a property tax agent, defined as an individual who is compensated for communicating directly or through agents on behalf of a taxpayer with a county official for the purpose of influencing official action related to property tax valuations, to register biannually with the Secretary of State for a \$250 registration fee. Additionally, this bill would:

- prohibit a property tax agent from representing a taxpayer before any county official without first being registered and issued a registration number by the Secretary of State;
- prohibit a person from registering or providing services as a property tax agent if they have been convicted of a felony under State or Federal tax laws or any other criminal offense involving perjury, fraud, breach of trust, or moral turpitude, or has been disbarred from practice as an attorney, certified public accountant, or actuary;
- require the Secretary of State to conduct a background check on each property tax agent applicant;

- require the Secretary of State to post on its website a list of registered property tax agents and a list of those who have been fined or had their license revoked;
- prohibit property tax agents from engaging in fraudulent and other activities, including attempting to represent a taxpayer without authorization; claiming the ability to improperly obtain special consideration from county officials; making gifts to county officials; among others; and
- authorize the Secretary of State to revoke an agent's registration and pursue civil penalties not to exceed \$1,500 for the failure to comply with these provisions.

AB 2415 also provides that it would preempt and supersede all local ordinances on property tax agent registration; however, the bill would not prohibit a county from enacting an ordinance to require property tax agents to report campaign contributions to elected officials in that county.

### **Analysis**

The Executive Office of the Board reports that AB 2415 is substantially similar to the County's tax agent registration ordinance. They indicate that the most notable difference is that the measure lacks the County's requirement for property tax agents to disclose campaign contributions; however, AB 2415 expressly allows any county to enact their own ordinance on this matter. The Executive Office of the Board reports that other differences include that the bill: 1) would bar registration of someone who has been convicted of a felony under State or Federal tax laws, while the County ordinance bars those who have been convicted of any criminal offenses under those laws; 2) does not reiterate that tax agents have a duty to comply with all applicable State and local laws; and 3) does not include the County's prohibition on property tax agents willfully assisting or encouraging a taxpayer to violate any law.

The Executive Office of the Board further reports that, should a statewide property tax agent registration program be enacted, the County's program would need to be streamlined down to monitoring local property tax agent activities. The annual budget to operate the County's Property Tax Agent Registration Division is approximately \$431,000, which is offset by tax agent registration fees. Under AB 2415, the Executive Office of the Board would require some continued funding to maintain sufficient staff to: 1) monitor and confirm that property tax agents practicing in the County are registered with the Secretary of State; and 2) locally monitor campaign contribution reports, including providing the Registrar-Recorder/County Clerk with data on registered tax agents practicing in the County so that the Registrar-Recorder/County Clerk is able to determine tax agent campaign contributions. The Executive Office of the Board notes

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that to facilitate these functions, the County may want to consider requesting an amendment to AB 2415 to require the Secretary of State to provide a county, upon request, a list of registered tax agents in readable electronic format.

County Counsel notes that under AB 2415, the County's ordinance would need to be revoked and a separate, new ordinance for campaign reporting requirements would need to be enacted.

According to the author, this legislation would improve the tax appeals process and create transparency by establishing a public registration process for property tax agents statewide. Supporters similarly indicate that AB 2415 would provide statewide uniformity and improve the quality of tax representation for the State's property owners. Opponents contend that the bill will make it more difficult for homeowners to exercise their legal appeal rights. Finally, the Secretary of State's office has expressed some policy concerns, including suggesting that: 1) the bill's enforcement provisions would be better housed at the Board of Equalization, which has existing tax law expertise; and 2) the bill should require applicant fingerprints to ensure an adequate background check.

AB 2415 is supported by the California Association of Clerks and Election Officials; California Building Industry Association; Rural County Representatives of California; Santa Clara County Assessor Lawrence E. Stone; fourteen tax representation and legal firms; and numerous individuals. It is opposed by the California Chamber of Commerce (unless amended); California Society of CPAs; Howard Jarvis Taxpayers Association; National Federation of Independent Business (unless amended); and Secretary of State Debra Bowen (unless amended).

This measure is currently pending hearing in the Assembly Appropriations Committee.

### **Board Policy**

There is no existing Board-approved policy related to the implementation of a statewide property tax agent registration program; therefore, **a position on AB 2415 is a matter of Board policy determination.**

WTF:RA  
MR:PC:ma

c: Executive Office, Board of Supervisors  
County Counsel